

December 9, 2019

OPEN MEETING AGENDA ITEM

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: in the matter of the rate review and examination of the books and records of Arizona Public Service Company and its affiliates, subsidiaries and Pinnacle West Corporation, E-01345A-19-0003.

Dear Commissioners:

I am writing to help in your independent investigation of the defective APS Rate Comparison tool.

In its response¹ to Commissioner Olson, APS stated the following on November 19, 2019:

Last Thursday, we became aware that the online APS rate compare tool was relying on incorrect information and, as a result, has provided certain customers with inaccurate rate plan recommendations since February 2019.

APS response² to Commissioner Kennedy on December 6 was as follows:

RESPONSE: On February 4, APS implemented a new data management system affecting the data fed to the Rate Comparison Tool. At that time, APS performed

Extensive evidence shows that APS's claims that problems began in February 2019 and that APS was unaware of them until Thursday, November 14, 2019 appear to be false and an after-the-fact attempt to minimize the impact and mislead the Commission.

Some in the media have spread the myth that *they* discovered and exposed the erroneous advice.³ Worse yet, they have played a part in giving APS cover and plausible deniability about not being aware until Thursday.⁴ For this reason, it is important to understand the full history and timeline of events related to the defective Rate Comparison tool because they shine the light on when, what, and how APS knew about the defective tool and its widespread impact.

To restore even a semblance of trust among the ratepayers, the Commission must act responsibly now to thwart any attempt by APS to sweep the problems under the rug and hold it accountable.

Sincerely,
Abhay Padgaonkar
APS Ratepayer

¹ <https://docket.images.azcc.gov/E000003736.pdf>

² <https://docket.images.azcc.gov/E000003999.pdf>

³ <https://kjzz.org/content/1321861/aps-online-rate-tool-gives-customers-bad-advice>

⁴ <https://www.azcentral.com/story/money/business/energy/2019/11/15/aps-bill-comparison-tool-shut-down-may-cost-customers-hundreds-more/4195464002/>

- I. **For the last 2+ years, the defective Rate Comparison tool has been in widespread use by customers online, was employed by APS's customer service reps, and was also the basis for personalized "Best Rate" letters APS sent to the customers.**
- APS has been using the Rate Comparison tool, outsourced to GridX, since **2016**, even before the last rate increase.
 - After the rate increase in **August 2017**, APS utilized the Rate Comparison tool as one of the primary means of supporting the Customer Education and Outreach Program (CEOP), according to the Overland Audit Report.⁵
 - In addition to the customers' direct use online, APS customer service representatives have been using the same tool to explain the various plans to customers.

- Rate Comparison Tool – The rate comparison tool is one of the most important components of the CEOP. Prior to the rate plan transition, **it enabled a customer to compare the annual costs of their legacy rate plan to the new rate plans available. This tool directly served customers and was also employed by APS's customer service to help explain the various rate plans to customers.** Based on customer complaint information, the tool appears to have been generally effective, albeit not without some limitations. The tool remains available to customers and has evolved **since first introduced in 2016.**

Overland Audit Report

- APS also used the same Rate Comparison tool to create personalized "Best Rate" letters sent to the customers as part of CEOP starting in 2017.

Services Provided by GridX Inc.

APS stated that the services provided by GridX were related to customer-specific rate analyses used in the **personalized communications APS employed as part of its customer education effort.** Specifically, GridX developed application programming interfaces (APIs) to provide results of APS's analysis of the costs that individual customers would incur under the new rate plans and rates authorized by the Decision. The Company further stated that GridX services directly supporting the CEOP effort and rate tools were provided **from 2017** through May 2019.

Overland Audit Report

- As an example, of the massive impact, APS disclosed that it sent 400,008 Direct Mail letters 2019, the same number of Postcards, and more than 1.5 million Customer Impressions on digital media since August 27, 2019 alone.
- II. **Starting in May 2018, Champion made APS acutely aware of the discrepancies in the Rate Comparison tool during the Champion Complaint.**
- In the *unredacted* version of Arizona Public Service Company's Answer to Revised Champion Complaint dated **April 6, 2018**,⁶ APS had attached Exhibit A with 'Stacey Champion Rate

⁵ Overland Audit Report at: <http://docket.images.azcc.gov/E000003432.pdf>

⁶ <https://docket.images.azcc.gov/0000187218.pdf>

Comparison' which is reproduced below. Please note that throughout 2017, Ms. Champion had been on the ET-2 rate.

Stacey Champion Rate Comparison				
Date	ET-2	TOU-E	R-2	R-3
12/14/2017	\$ 92.85	\$ 90.18	\$ 96.78	\$ 85.43
11/13/2017	\$ 87.00	\$ 85.75	\$ 101.59	\$ 94.92
10/13/2017	\$ 105.87	\$ 118.70	\$ 123.71	\$ 140.17
9/14/2017	\$ 242.46	\$ 253.94	\$ 220.18	\$ 219.35
8/15/2017	\$ 252.05	\$ 266.16	\$ 239.01	\$ 245.67
7/14/2017	\$ 302.90	\$ 319.35	\$ 268.78	\$ 258.67
6/14/2017	\$ 186.11	\$ 195.99	\$ 176.23	\$ 180.16
5/12/2017	\$ 89.49	\$ 99.81	\$ 101.40	\$ 111.79
4/13/2017	\$ 73.94	\$ 72.27	\$ 77.71	\$ 69.00
3/15/2017	\$ 95.53	\$ 94.41	\$ 98.76	\$ 85.66
2/11/2017	\$ 86.82	\$ 83.48	\$ 86.45	\$ 74.24
1/13/2017	\$ 50.05	\$ 45.76	\$ 51.72	\$ 48.72
	\$ 1,665.07	\$ 1,725.80	\$ 1,642.32	\$ 1,613.78

APS Answer to Revised Champion Complaint

- **HOWEVER**, neither the monthly amounts nor the annual total under column ET-2 in the Rate Comparison above matched the actual billed amounts below on the bills she received in 2017.

Bill end date	Billed amount
1/13/2017	\$ 94.17
2/11/2017	\$ 87.53
3/15/2017	\$ 96.38
4/13/2017	\$ 76.18
5/12/2017	\$ 90.13
6/14/2017	\$ 191.65
7/14/2017	\$ 310.20
8/15/2017	\$ 260.98
9/14/2017	\$ 261.45
10/13/2017	\$ 117.94
11/13/2017	\$ 96.79
12/14/2017	\$ 101.17
	\$ 1,784.57

- With the baseline bills on the current plan not matching the actual bills, any rate comparison to other plans was worthless. With these discrepancies in mind, Champion sent Data Request #2 and challenged APS to explain the reason for the mismatch.

f) If the monthly amounts in column ET-2 of the Rate Comparison do not match the monthly amounts for the same billing dates in the Bill Comparison or the actual bills with the same billing dates provided as part of APS' Exhibit B, please explain the reason.

Hearing Exhibit C-8 in Docket No. E-01345A-18-0002

- APS's response was that "an early version" of the Rate Comparison tool did not include holidays. This absurd explanation made no sense because not a single month's billed amount matched exactly, and so not including holidays in certain months couldn't have been the reason.

f) Exhibit A was completed using an early version of the Rate Comparison tool, which did not include all holidays.

Exhibit B compares the actual charges on the bills from September 2017 through January 2018 to the corresponding bill from one year prior and shows the percentage difference. No calculations are made other than the percentage increases.

Hearing Exhibit C-8 in Docket No. E-01345A-18-0002

- Champion also challenged APS to explain why different iterations of rate comparisons at different times had produced different amounts for the same months.

j) Please explain why the amounts in columns ET-2, TOU-E, R-2, and R-3 of the Rate Comparison differ from those under the same dates and same columns in the document "Champion rate plan comparison" that APS provided to Mr. Adam Stafford on February 23, 2018, attached to this Data Request as Exhibit C.

Hearing Exhibit C-8 in Docket No. E-01345A-18-0002

- APS's response indicated a Rate Comparison tool that was in a state of constant flux, and, more importantly, used **hourly** data — presumably used to replicate billed data — but had not used the billed data directly, potentially creating amounts that did not match the billed amounts.

j) Exhibits A and C both use hourly data in their calculations. However, Exhibit C includes additional calculations to accommodate missing intervals and proration for partial usage months. Exhibit C also reflects updated holidays and PSA Revision 22. Exhibit A does not include all holidays and uses PSA Revision 21. The purpose of these exhibits is to provide a best rate

Hearing Exhibit C-8 in Docket No. E-01345A-18-0002

- In explaining another discrepancy in the data, APS provided the following explanation for the "discrepancies" and "defect" because of the mismatch between the reporting dataset as compared to the billing dataset.

To facilitate understanding of how APS compiled this data, APS provides the following explanation. APS bills customers directly from monthly meter reads. Typically APS's residential meters do not have an off-peak register, and the billing system would derive off-peak kWh by subtracting the on-peak kWh from the total. This method ensures that the billed on-peak kWh and off-peak kWh for residential customers reflects total consumed kWh. The data stored in the billing system is only the monthly information needed to bill customers - total kWh, peak kWh, and monthly demand kW. After billing, however, the information is transferred and stored in a different database used for reporting purposes only. In the process of transferring data, the initial total and on peak meter reads are again used to calculate the off peak kWh. This is where small **discrepancies** sometimes can be found. In this case specifically, a small **defect occurred** in the handful of isolated situations where a meter exchange occurred, causing the on peak and off peak to not sum to the total kWh. Since this was isolated to the reporting database, it did not impact billing to customers.

Such minor data differences in the reporting data base necessitated updates to the data set to match it to the billing dataset.

Hearing Exhibit C-9 in Docket No. E-01345A-18-0002

- With this history of known prior defects, APS blaming a "new data management system affecting the data fed to the Rate Comparison Tool" as late as February 2019,⁷ in response to Commissioner Kennedy's letter, does not appear credible.
 - When comparing plans, identical billing determinants must be used for an apples-to-apples comparison. The wide discrepancies in the wrong plan recommendations provided by the Rate Comparison tool⁸ would imply that not just the data fed to the tool, but the underlying rates and/or formulas were at fault as well.
 - The Commission must also keep in mind that Brattle Group provided misleading testimony during the Champion Complaint that APS was earning "the approved 4.54% increase"⁹ — a claim that was proven dead wrong by the Overland Audit Report. As a result, any assurance by APS's hired-gun with highly questionable independence cannot be considered reliable.
- III. In October 2018, in its Response to Commissioner Dunn Request,¹⁰ APS went to great lengths to pat itself on the back about the CEOP, calling it the most robust customer communications campaign in the Company's history and characterizing the extensive impact and customer response as "very successful" and "exceptional" DESPITE the math not quite adding up.**
- Further, APS touted the fact that more than 200,000 plan change customer decisions occurred, likely as of May 2018, demonstrating the extensive impact of the Rate Comparison tool. Many more customer plan changes have occurred in over 2+ years since the rate increase because of the defective Rate Comparison tool.

⁷ <https://docket.images.azcc.gov/E000003999.pdf>

⁸ <https://docket.images.azcc.gov/E000003679.pdf>

⁹ <http://docket.images.azcc.gov/0000190760.pdf>

¹⁰ <https://docket.images.azcc.gov/0000193159.pdf>

4. Effectiveness of Customer Communications

APS's Outreach and Education Plan has been the most robust customer communications campaign in the Company's history, and very successful by general industry standards.

Customer response to the Company's service plan transition communications was exceptional. This is evidenced by the fact that approximately 22.8% (over 207,000) of our residential customers voluntarily switched to a new service plan during the transition period. In contrast, utilities are a historically low-engagement segment. For APS, customer response to program outreach typically falls into the 1% to 4% range depending upon factors such as type of offer, customer audience, and media utilization.

As shown in the graphic below, 15.3% (approximately 140,000) of residential customers chose a new service plan option online or confirmed a choice through the Company's IVR system without additional help other than the Company communications described above. An additional 7.5% (approximately 68,000) called APS and received help with choosing an appropriate service plan option from Energy Advisors. In addition, this proactive service plan selection was despite the fact that nearly 50% of customers best service plan option was the same as their most-like service plan which means that if they did nothing, they would transition to their best plan.

- If 50% of customers' best service plan was the most-like plan and an additional 22.8% selected a new service plan with the help of the Rate Comparison tool, **it doesn't compute** for APS to claim, as it did, that more than half the customers were still not on their most economical plan?¹¹
 - After being reminded him that he was still under oath by Commissioner Kennedy, who later questioned APS's "woefully inadequate" customer education and communication efforts, Don Brandt laid it on thick when he told an incredulous Commissioner Kennedy that APS "**did an outstanding job of communicating with customers.**"¹²
- IV. In April 2019, APS recognized GridX as a supplier of the year for outstanding service, added value, and expertly delivering on all APS's needs during the rate transition.¹³

• GridX, Inc. (Performance) – for exceeding contract requirements and expertly delivering on all of APS's needs during the recent rate transition, which led to savings for both customers and the company. GridX, Inc. is a minority-owned business.

¹¹ Hobbick Rebuttal Testimony at: <https://docket.images.azcc.gov/0000191374.pdf>

¹² https://azcc.granicus.com/player/clip/3657?view_id=3 starting at the 3:02:28 mark.

¹³ <https://www.aps.com/en/About/Our-Company/Newsroom/Articles/APS-recognizes-six-businesses-for-model-customer-service-sustainable-practices>

V. In September-October 2019, Ms. Champion repeatedly informed APS that the Rate Comparison amounts did not match the actual billed amounts.

- The thread of docketed emails between Stacey Champion and APS consumer advocates¹⁴ began on September 13, 2019.
- In an email dated September 28, 2019, Ms. Champion informed APS that the usage parameters in the rate comparison did not match the actual bills.
- Ms. Champion specifically highlighted December 2018 as an example of numerous and significant discrepancies (not just rounding errors) between the amounts that appeared in the Rate Comparison and the actual bills as follows:

I had thought that the rate comparison would be based on my actual monthly usage that would also match my actual bills (except for demand KW that would be in the hourly usage). Please let me know if I am mistaken but when I compare the usage parameters you have sent below with the actual bills, they don't match. And these are not rounding errors. I will just give one month as an example:

This is what you provided for **December 2018 usage**:

<image002.png>

When I compare it to my **actual December 2018 bill** below, I find the following:

Billing Days = 29 (matches)

Total KWH = 557 (you show 450)

On-Peak KWH = 42 (you show 36)

Super-Off-Peak = 30 (you show 25)

Off-Peak KWH = 485 (excluding super-off-peak as shown on the bill, you show 389)

Demand KW = 1.5 (not on the bill -- based on my download of hourly data, but you show 1.2)

- Given the wide discrepancy, Ms. Champion questioned the reliability of the Rate Comparison results for the ratepayers.

I would like to ask you the following:

1) Am I misinterpreting or missing anything?

2) Did anyone compare the usage you sent against the actual monthly bills? If so, what did they find?

3) If, in fact, there is a wide discrepancy in usage in the rate comparison vs. actual monthly bills, why should I (or anyone else) believe the results of the rate comparison?

- In response, on October 8, 2019, APS provided '**APS Internal Rate Plan Comparison**' in which the amounts matched the billed amounts.
- APS also admitted that discrepancies existed between the interval data used in rate comparisons by its third-party vendor and billed data while minimizing large discrepancies as "slight variations" as follows:

¹⁴ <https://docket.images.azcc.gov/E000003747.pdf>

The energy usage parameters used by APS's third-party vendor to perform rate plan comparisons are based on available interval data collected from the meter at the customer premises listed on the account. **Because interval data is used and not billed energy data, there can be slight variations between the two.** The rate plan comparisons calculated by our third-party vendor provide customers accurate representations of customers most economical rate plans based on the available data.

- On October 18, 2019, APS admitted as follows that it was in the process to use billed data (rather than interval data) to perform the rate comparisons "internally" (rather than through third-party vendor) by the end of the year.

By the end of the year, APS will perform rate plan comparisons internally and they will be calculated based on billed data. The rate plan comparison tool available on the APS website will reflect this change.

- With this long history — weeks before November 14 — of very specific communications to APS about wide discrepancies between rate comparison vs. actual monthly bills, APS's claim that it was unaware of the problems until Thursday, November 14, 2019 strains credulity.

VI. If the GridX Rate Comparison tool expertly delivered on all of APS's needs, as APS had claimed when it named GridX supplier of the year in April 2019, what was the need for APS to replace that tool quietly while giving the Commission a three-day notice?

- On November 12, Commission Olson docketed a letter¹⁵ demanding to know whether the company had complied with the pro forma billing requirement.
- In a letter next day that served as a response¹⁶ to Commissioner Olson's letter demanding an update, APS quietly buried the following tidbit about the Rate Comparison tool replacement in the very last paragraph on the very last page of the 3-page letter.

Beginning on November 17, customers will also be able to log in to their online account at aps.com where they will be able to compare how different plans would affect their estimated annualized energy bill. A screenshot of how this enhanced bill comparison functionality will appear is shown in Attachment A to this letter.

- One cannot help but wonder whether APS intended to replace the defective Rate Comparison tool quietly by bringing it in-house, label it as an "enhanced" version without any fanfare while fixing the defects it knew existed, and hoped that nobody would be the wiser.
- To confirm that possibility, the Commission must demand any and all analyses, internal and external correspondence, timeline, and any other documentation related to the discussion of any issues with and replacement of the GridX Rate Comparison tool and the development of the "enhanced" functionality, namely the "APS Internal Rate Plan Comparison."
- In addition to the above, I again urge the Commission to investigate thoroughly all the questions I had raised in my comments that were docketed on November 18, 2019.¹⁷ This is especially important because it is my belief that the Commission has missed repeated opportunities to hold APS as well as its own Staff accountable.

¹⁵ <https://docket.images.azcc.gov/E000003661.pdf>

¹⁶ <https://docket.images.azcc.gov/E000003673.pdf>

¹⁷ <https://docket.images.azcc.gov/E000003703.pdf>

VII. The Commission and its Staff bear direct responsibility for failing to hold APS accountable.

- At the June 11, 2019 Rate Review Open Meeting,¹⁸ Stacey Champion, an intervenor, made several comments and raised innumerable questions about the Staff report, Staff proposal, and the entire Rate Review process.
- Unfortunately, they all fell on deaf ears as far as the Commissioners were concerned, thereby enabling the Staff coverup¹⁹ of the Overland Audit Report and playing into APS's hands.

Here are a couple of pertinent examples.

At the 3:29:33 mark, Ms. Champion informed the Commission about getting stonewalled on her data requests to the Staff:

"I wasn't also provided with any of the – the many questions to the data requests that I submitted which was my legal right."

HOWEVER, not a single Commissioner insisted that the Overland Audit Report be made public. (It was made public on October 24 only after 12News threatened to take legal action.) Had even one Commissioner compelled Staff to make the Overland Audit Report public, it would have become obvious that Overland was unable to gain direct access to test the Rate Comparison tool, and that would have raised major red flags.

At the 3:52:10 mark, Ms. Champion informed the Commission about the various iterations and the unreliability of the Rate Comparison tool:

"I would also be curious, like, how many iterations of their --- how many changes or modifications have been made to the rate comparison tools since it came into existence because I have noticed it changing over time, and I have also heard from a lot of people who say, like, half the time it works, half the time it doesn't work?"

HOWEVER, not a single Commissioner asked a single follow-on question about the Rate Comparison tool. In fact, not a single Commissioner asked a single question to Staff (who made sure Overland wouldn't be present) or APS about anything related to the Rate Review process or anything that Ms. Champion challenged in it. Instead, the Commissioners simply accepted at face value whatever Staff dished out with some minor modifications. And the Commission went along with the preordained decision to kick the can down the road and order a new rate case.

Given this level of collective apathy, being appalled now²⁰ — after a couple of individual ratepayers discovered and exposed the scandal on their own — is a day late and dollar short. But it is *still* not too late. To restore even a semblance of trust among the ratepayers, the Commission must act now to thwart any attempt by APS to sweep the problems under the rug and hold it accountable from this point forward. That is the least the ratepayers can expect.

¹⁸ https://azcc.granicus.com/player/clip/3562?view_id=3

¹⁹ <https://docket.images.azcc.gov/E000003490.pdf>

²⁰ <https://docket.images.azcc.gov/E000003744.pdf>